

Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Law Firm

Question 1.1(a)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by requiring the public float percentage of securities new to listing be calculated normally by reference to the total number of securities of that class only (as set out in paragraph 44 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal. Calculating public float based on the class of securities for which listing is sought provides a more accurate reflection of the actual public float available for trading in Hong Kong. The current approach potentially overstates the public float by including securities that don't contribute to an open market in Hong Kong.

Question 1.1(b)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of a PRC issuer with no other listed shares, requiring the numerator of its public float percentage to be calculated by reference to its H shares only, such that any shares it has in issue that are in the class to which H shares belong would only be included in the denominator (as set out in paragraph 45 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal.

Question 1.1(c)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of a PRC issuer with other listed shares (e.g. A shares listed on a PRC stock exchange), requiring the numerator of its public float percentage to be calculated by reference to its H shares only, such that any other listed shares it has in issue would only be included in the denominator (as set out in paragraph 45 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal. A shares listed on PRC stock exchanges are not fungible with H shares listed in Hong Kong and do not contribute to an open market in Hong Kong. Including A shares in the numerator artificially inflates the HK public float calculation. The proposed change properly reflects the actual trading pool available in Hong Kong.

Question 1.1(d)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of an issuer with other share class(es) listed overseas, requiring the numerator of its public float percentage at listing to be calculated by reference to only the shares of the class for which listing is sought in Hong Kong, such that any shares of other classes it has in issue would only be included in the denominator (as set out in paragraph 46 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal. For consistency with the treatment of PRC issuers, it is appropriate to apply the same principle to all issuers with multiple classes of shares listed in different jurisdictions. This ensures that the calculation of public float in Hong Kong reflects only securities that contribute to an open market in Hong Kong.

Question 1.2

Do you agree with our proposal to modify the requirement of MB Rule 8.09(1) (GEM Rule 11.23(2)(a)) to clarify that the minimum market value

in public hands requirement applies to the securities for which listing is sought (as set out in paragraph 47 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal. This aligns with the principles underlying the other proposed changes regarding public float calculation.

Question 2.1

Do you agree that we should exclude from the definition of “the public” any person whose acquisition of securities has been financed by the issuer and any person who is accustomed to take instructions from the issuer (as set out in paragraph 64 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal. Securities held by persons under the issuer's influence or control do not genuinely contribute to the public float and should be excluded from the calculation.

Question 2.2

Do you agree with our proposal to regard shares held by an independent trustee which are granted to independent scheme participants and unvested as shares held in public hands (as set out in paragraph 65 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal.

Question 3.1

Do you agree that we should replace the current minimum initial public float thresholds with tiered initial public float thresholds according to the expected market value of the class of securities for which listing is sought on the Exchange at the time of listing?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal. The current approach, which requires case-by-case waivers for large cap issuers, creates uncertainty and can potentially deter issuers from listing in Hong Kong. The tiered structure would provide greater clarity and predictability for issuers planning their listings. It also recognizes that for very large issuers, a lower percentage threshold can still represent a substantial market value of publicly held shares.

Question 3.2

Do you agree with the proposed tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed tiered initial public float thresholds. The structure provides an appropriate balance between ensuring sufficient liquidity in the market and recognizing that for very large issuers, a lower percentage can still represent a substantial absolute market value of publicly held shares.

Question 3.3(a)

Do you agree that the proposed tiered initial public float thresholds should be applied to any class of equity securities new to listing on the Exchange, except for the initial listing of A+H issuers (and other prescribed types of issuers)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree that the proposed tiered thresholds should be applied broadly to all classes of equity securities new to listing, with the specified exceptions.

Question 3.3(b)

Do you agree that the proposed tiered initial public float thresholds should be applied to any class of equity securities new to listing on the Exchange, except for a bonus issue of a new class of securities (as set out in paragraph 79 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree that the proposed tiered thresholds should be applied broadly to all classes of equity securities new to listing, with the specified exceptions.

Question 3.4

Do you agree that all issuers disclose, in their listing documents, the initial public float threshold that is applicable to the class of securities they seek to list on the Exchange?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this disclosure requirement. Transparency about the applicable initial public float threshold would provide clarity to investors regarding the expected level of liquidity in the securities.

Question 3.5

Do you agree that the same tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper) should be applied to GEM issuers?

Yes

Please give reasons for your views and any alternative suggestions.

We agree that the same tiered initial public float thresholds should be applied to GEM issuers. Applying consistent standards across both boards simplifies the regulatory framework and avoids creating unnecessary complexities.

Question 4.1(a)

If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for issuers, subject to the initial public float tiers proposed (see Table 5 in Section I.B.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.

We agree that, generally, the ongoing public float requirements for all issuers (including A+H issuers and other prescribed types of issuers) should mirror the initial requirements. However, please see our response to Question 4.2

for our views in relation to issuers whose market capitalization increases substantially post-listing.

Question 4.1(b)

If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for: A+H issuers and other prescribed types of issuers (see Section I.D.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.

We agree that, generally, the ongoing public float requirements for all issuers (including A+H issuers and other prescribed types of issuers) should mirror the initial requirements. However, please see our response to Question 4.2 for our views in relation to issuers whose market capitalization increases substantially post-listing.

Question 4.2

Should issuers be allowed the flexibility to maintain a lower public float level, after listing, than that required at listing, in view of the issues we have described in the Consultation Paper (see paragraphs 102 to 109 of the Consultation Paper)?

Yes

Please give reasons for your views.

Yes, issuers should be allowed the flexibility to maintain a lower public float level after listing than that required at listing.

Our response is focused on issuers whose market capitalization increases substantially post-listing (making the absolute value of their public float much higher than initially anticipated) and where the flexibility to maintain a lower public float level is particularly important.

The purpose of the public float is to allow the market, investors and institutions a level of comfort that there will be sufficient trading in the shares by persons who are independent of the issuer. Against this background, we want to encourage and support (as far as possible) companies which, post-listing have managed to increase their valuation as a direct result of their

continued success over time. For these companies, it is very important that they can continue to raise funds and develop their business. Allowing these companies to thrive will also attract other similar companies to consider HK as a listing venue.

We believe that the value of the public float is a fair reflection of, and a valid reference point to consider, liquidity. However, as a company's market capitalization increases over time the relative percentage of the public float is no longer the most appropriate measure of liquidity. For example, a company with a market capitalization of HK\$100 billion (and assuming that the initial/ongoing public float requirement was set at 25%) results in a public float (i.e. shares not held by directors or substantial/controllers) valued at HK\$25 billion which is a vast amount. These could be technology companies, or other high growth companies that have grown substantially over time. These companies will almost certainly be faced with a situation where they will want to expand their business by issuing shares (whether for funding purposes or as consideration for acquisitions). High growth companies may also want to be able to issue shares to their senior management as a way to attract (and retain) talent, without adversely affecting the public float – and they should be able to do so given the market value of their public float will be vastly greater than 'normal' listed issuers. These companies may also have, as part of their shareholder base, institutional investors who invested in the company at an earlier stage and who want to be able to increase their shareholding, but they cannot hold over 10% without adversely affecting the public float. What is wrong, for example, with the Norwegian Government Pension Fund (the largest sovereign wealth fund in the world) or Blackrock (the world's largest asset manager) wanting to hold 11% (or more) in a company that they are keen to invest in – if the public float of the company is already large enough to ensure that there is sufficient trading in the shares by persons who are independent of the issuer?

Insisting on a set percentage level public float means that companies like this, are unfairly 'tied to' the initial public float adopted at the time of their listing, when they were much smaller – and when, at the same time, a newer listing applicant of a similar size would be able to enjoy a reduced public float percentage. This situation puts these companies at a clear disadvantage to the listing applicant, notwithstanding the fact that they have been listed for many years already and have clearly demonstrated their success.

To be clear, we are not encouraging controlling shareholders to increase their control, rather we want to allow these companies to have more options to be able to fund acquisitions and attract/encourage strategic investors (to hold above 10%, without adversely impacting the public float requirements). We see this as good for the company, its shareholders and the HK market as a whole. The current rigid approach to the ongoing public float requirements for these companies can unnecessarily restrict legitimate corporate activities like share repurchases (to hold in treasury or cancel – for the benefit of the company and its shareholders) or the issuance of shares to persons who are (or will, because of the issuance, become) a substantial shareholder or as consideration for planned acquisitions – even when there remains a substantial market value of shares in public hands. It is unfair to these issuers to restrict them to a 25% ongoing public float (or whatever lower percentage was agreed as the initial public float requirement, under the current rules). As companies grow and succeed their public float value often increases substantially, and adequate liquidity can be maintained with a lower percentage.

We suggest that the Exchange consider:

- allowing issuers which achieve an average market value in public hands of not less than (a minimum market value eg. HK\$10 Billion) over (a set period of time eg. the previous 90 trading days or 3 months) to be able to apply to the Exchange to reduce the public float. This could be a gradual process whereby as the company meets the relevant requirements it can apply to drop down successively through the percentage tiers, with an announcement to the market each time a new public float percentage level is approved by the Exchange. Perhaps at the lower end of the tiers (say below 15% or 10%) there could be a requirement for shareholder approval where the controlling shareholder is not allowed to vote;

or alternatively,

- allowing issuers which can demonstrate a certain size/market capitalization over a set period (as suggested above) to be able to apply to the Exchange to maintain a minimum HK\$ 'floor' value of public float – regardless of the actual percentage public float that represents – again with an announcement required upon approval by the Exchange and/or shareholder approval, as appropriate. This approach recognizes that

adopting a minimum 'floor' value for the public float is a much fairer approach for companies which have grown substantially since their listing.

Ultimately, a vastly improved market value reflects market perception (which in turn reflects good governance, a successful track record and anticipated future growth prospects). We should be encouraging large successful companies to continue to grow – and allow them maximum flexibility to grow their businesses and remain competitive in the market. This approach will allow the HK equity capital market to thrive. A restrictive ongoing public float requirement serves only to hamper the development of these companies and lessens the attractiveness of HK as a listing venue.

At a minimum, companies which reach a certain size (based on whatever criteria is agreed upon to determine this fact) should be able to apply to the Exchange to reduce their ongoing public float requirement. This should be a general right open to all listed companies whenever they meet the relevant criteria. The application to reduce the public float is unlikely to be possible, even where it is desirable, when made in connection with a transaction. For example, if a large listed company is negotiating with a third party investor (intending to take a significant stake in the company) and the listed issuer wants the ability to apply to reduce the public float in order to accommodate the investment, this will likely not be possible if the reduction in public float would need to be disclosed and/or approved in advance by shareholders, which would risk the investor walking away because they would not want the negotiations to be made public. In this context, the inherent uncertainty attached to a reduction of the public float would act as a deterrent to the third party when negotiating an investment, particularly if the reduction would be subject to a shareholder vote. Investors would want certainty as much as possible, especially where a large transaction is being contemplated.

Question 4.3

Should the existing regulatory approach of suspending trading of issuers with public float below a prescribed level (see paragraph 92(c) of the Consultation Paper) be maintained, in view of the issues we have described in the Consultation Paper (see paragraphs 110 to 111 of the Consultation Paper)?

No

Please give reasons for your views.

We do not believe that the existing regulatory approach of suspending trading when the public float falls below a prescribed level should be maintained. Trading suspensions for public float breaches are disproportionate and often counterproductive, causing more harm than good to shareholders and the market.

Trading should not be suspended when an issuer breaches the public float requirements for several reasons:

1. Long suspensions are severely detrimental to the company and its shareholders, effectively trapping minority shareholders with no exit opportunity and depriving them of market liquidity precisely when they might need it most.
2. The public float requirement can be manipulated, as evidenced by cases where potential hostile bidders/third parties have deliberately ‘forced’ a suspension by acquiring shares in the market to gain leverage over the issuer.
3. Suspension exacerbates rather than solves the public float issue by making it much more difficult for issuers to restore their public float (as transactions would need to be conducted off-market without a reference price).
4. An issuer can still have a functioning market with substantial trading volume even when marginally below the prescribed public float threshold.

Instead of suspension, we propose that when an issuer falls below its minimum ongoing public float requirement:

1. The issuer should be allowed to continue trading, with appropriate disclosure to the market about the shortfall.
2. The issuer should be required to provide an undertaking to the Exchange that it will take all reasonable steps to restore the public float on or before a specified date (the “deadline date”), or face potential disciplinary action by the SFC (see point 4 below).
3. The issuer should provide monthly updates to the market (by way of announcement) detailing the steps taken and the date by which it expects to be able to restore the public float.
4. If the public float has not been restored by the deadline date, then:

- (a) the Exchange has the option to either grant an extension to the deadline date or move trading in the issuer's shares to the OTC market (assuming this market exists); and/or
 - (b) the SFC may consider disciplinary action against the issuer or its directors under the SFO for disclosure of false or misleading information.
5. The Exchange should retain the discretion to suspend trading only in exceptional circumstances where there is evidence of market manipulation or other serious concerns beyond the mere technical shortfall in public float.

This approach would maintain market transparency while protecting shareholders' ability to trade. It would also prevent hostile actors from using the public float requirement as a tool to force suspensions for their own benefit and give issuers a realistic pathway to remedy shortfalls without the additional pressure of a trading suspension.

Question 4.4

Do you agree that ongoing public float requirements should be applied to shares only (as set out in paragraph 118 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree that ongoing public float requirements should be applied to shares only, not to convertible securities or options, warrants or similar rights. This is a practical approach for several reasons:

1. The underlying shares of these securities are already subject to public float requirements.
2. These instruments typically have a fixed term and reduce in number over time as holders exercise their rights.
3. The exercise of these rights is beyond the issuer's control, making it difficult to maintain a consistent public float.
4. These securities often have different liquidity characteristics than the underlying shares.

This approach aligns with the purpose of public float requirements, which is to ensure sufficient trading liquidity in the primary security.

Question 4.5

Do you agree that an OTC market should be established in Hong Kong (as set out in paragraph 119 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We are generally supportive of the idea that an OTC market be established in Hong Kong. This would be a significant enhancement to Hong Kong's capital markets infrastructure and would provide a trading venue for securities that no longer meet listing requirements or have been delisted. Such a market would allow investors to exit their positions when they might otherwise be left with completely illiquid positions when securities are suspended or delisted. However, we would need to see the detailed proposals for an OTC market to have a better idea about the overall framework being proposed before we are able to offer a firm view about whether what was proposed would work well in the Hong Kong context.

Question 4.6(a)

What are your views on the potential benefits and risks of establishing an OTC market? Please give reasons for your views.

Benefits:

- Provides exit opportunities for shareholders of delisted companies
- Offers continued liquidity for securities under prolonged suspension
- Aligns Hong Kong with other major financial centers that have such markets
- Reduces the harm to minority shareholders when securities are delisted
- May serve as a stepping-stone for smaller companies not yet ready for a full listing

Risks:

- Potentially reduced regulatory oversight and investor protection
- Risk of creating a two-tier market with varying standards

- Possible reputation risk if the OTC market is perceived as a "dumping ground"
- Operational and regulatory complexity of establishing a new market infrastructure
- Potential for market manipulation in less liquid securities

Question 4.6(b)

What are your views on functions that an OTC market should serve? Please give reasons for your views.

An OTC market in Hong Kong should serve the following functions:

1. Provide a trading platform for delisted securities.
2. Serve as a trading venue for securities under prolonged suspension.
3. Potentially offer a venue for smaller or earlier-stage companies not meeting full listing requirements.
4. Provide price discovery mechanisms for securities not eligible for exchange trading.
5. Facilitate orderly exits for investors in troubled companies.
6. Act as a potential rehabilitation platform for companies working toward relisting.

Question 4.6(c)

What are your views on whether such OTC market should be open to retail investors? Please give reasons for your views.

As noted above, while we are generally supportive of an OTC market in Hong Kong much will depend on the proposed framework. The introduction of an OTC market brings with it risks (including limited disclosure, reduced regulatory oversight and potential for market manipulation). These risks may make an OTC market unsuitable for retail participation. It may be more prudent – again depending on the overall framework being proposed (both from a technical and regulatory point of view) – to restrict access (at least initially) to professional and institutional investors. Even with additional risk disclosures, retail investors may struggle to properly assess the risks of companies that have failed to meet the regulatory standards of the Exchange. Allowing retail investor participation could potentially lead to disagreements with and/or claims against issuers, brokers and other intermediaries if retail

investors suffer significant losses as a result of the prevailing trading price in the OTC market.

Question 5.1

Do you agree with our proposal to mandate disclosure of actual public float in listed issuers' annual reports?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal. This improves market transparency.

Question 5.2

Do you agree with the details proposed to be disclosed (as set out in paragraph 126 of the Consultation Paper), including that only persons connected at the issuer level would be required to be identified on an individually named basis in the disclosure of shareholding composition (as set out in paragraph 126(b)(i)(1) and (2) of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed disclosure details and the requirement that only persons connected at the issuer level be identified on an individually named basis. The breakdown of shareholding composition into various categories (substantial shareholders, directors, core connected persons, etc.) will provide investors with meaningful insight into the distribution of ownership without creating an excessive compliance burden.

Question 5.3

Do you agree that issuers should be required to disclose the relevant information based on information that is publicly available to the issuer and within the knowledge of its directors (as set out in paragraph 127 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree. Issuers cannot be expected to have perfect information about all ultimate beneficial owners. Requiring disclosure in this manner sets a

reasonable standard that enhances transparency without imposing unrealistic obligations.

Question 6.1

Do you agree that the Exchange should require a minimum free float in public hands at the time of listing for all new applicants (as set out in paragraph 139 of the Consultation Paper)?

Yes

Please give reasons for your views.

We agree. A free float requirement would ensure that a meaningful number of shares are actually available for trading from day one, helping to establish an active and liquid market.

Question 6.2

Do you agree with our proposed initial free float thresholds (as set out in paragraph 140 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed initial free float thresholds.

Question 6.3

Do you agree with our proposed modification of the initial free float thresholds to PRC issuers (as set out in paragraphs 142 to 143 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed modifications for PRC issuers.

Question 6.4

Do you agree with our proposal to apply the proposed initial free float requirement to shares only (as set out in paragraph 144 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree.

Question 6.5

Do you agree that shares considered to be in public hands that are held by an independent trustee under a share scheme should not be counted towards the proposed initial free float requirement (as set out in paragraph 145 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree.

Question 6.6

Do you agree that existing free float related requirements for Biotech Companies and Specialist Technology Companies should be replaced with the proposed initial free float requirement so that the same requirement applies to all issuers (as set out in paragraph 146 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree that existing free float related requirements for Biotech Companies and Specialist Technology Companies should be replaced with the proposed initial free float requirement. A consistent approach across all issuer types reduces regulatory complexity and creates a level playing field.

Streamlining the requirements across all issuers makes the regulatory framework more coherent and easier to understand.

Question 7.1

Do you agree with our proposed revised minimum thresholds on shares to be listed on the Exchange for A+H issuers and other prescribed types of issuers (as set out in paragraph 162 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed revised minimum thresholds.

Question 7.2

Do you agree that the minimum initial public float thresholds for A+H issuers and other prescribed types of issuers should be the same as the minimum thresholds on shares to be listed on the Exchange (as set out in paragraph 164 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree.

Question 7.3

Do you agree with our proposal to remove the minimum market value requirement for the class sought to be listed by issuers with other share class(es) listed overseas and H shares of PRC issuers (as set out in paragraph 166 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal.

Question 8

In respect of the lock-up requirement on IPO securities placed to cornerstone investors, would you prefer to:

allow a staggered release of the six-month lock-up (as set out in Option B in paragraph 205 of the Consultation Paper)

Please give reasons for your views and any alternative suggestions.

We prefer Option B: allowing a staggered release of the six-month lock-up.
The staggered approach would:

1. Maintain cornerstone investors' commitment to the issuer, demonstrating confidence in the IPO.
2. Reduce the risk of market volatility at a single lock-up expiration date.
3. Potentially attract more institutional investors to participate as cornerstone investors, improving the overall quality of the investor base.
4. Better align with international practices while maintaining Hong Kong's unique cornerstone investor mechanism.

Question 9.1

Do you agree that at least 50% of the total number of shares initially offered in an IPO should be allocated to investors in the bookbuilding placing tranche (as set out in paragraphs 227 and 228 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal as a way to encourage institutional investor participation and increase the likelihood that the final IPO price reflects true market demand.

Question 9.2

Do you agree that the proposed requirement should not be applied to the initial listing of Specialist Technology Companies (as set out in paragraphs 229 of the Consultation Paper)?

Yes

Please give reasons for your views.

We agree that the proposed requirement should not apply to Specialist Technology Companies. Given the inherent difficulty in valuing Specialist Technology Companies due to their often pre-revenue status or innovative business models, maintaining the existing requirements ensures robust price discovery for these more challenging valuations. This differentiated approach appropriately recognizes the unique characteristics of these companies.

Question 10.1

Do you agree with the proposed removal of the guideline on minimum spread of placees, being not less than three holders for each HK\$1 million of the placing, with a minimum of 100 holders in an IPO placing tranche (as set out in paragraph 230 of the Consultation Paper)?

Yes

Please give reasons for your views.

We agree with the proposed removal of this guideline. The current requirement is outdated and often results in artificial distributions that do not meaningfully improve market quality. The existing minimum shareholder requirement of 300 shareholders (Main Board) or 100 shareholders (GEM) at listing is sufficient to ensure adequate spread. Additionally, the SFC Code of Conduct provides safeguards regarding bookbuilding and placing activities that help ensure appropriate distribution.

Along similar lines and considering the introduction of the initial free float requirement, we also suggest removing the prohibition in LR8.08(3) whereby not more than 50% of the securities in public hands at the time of listing can be beneficially owned by the three largest public shareholders.

Question 10.2

Do you consider that other safeguarding measures should be implemented to ensure an adequate spread of holders in the placing tranche, in light of the proposal (as set out in paragraph 230 of the Consultation Paper)?

No

Please give reasons for your views and any alternative suggestions.

We do not believe additional safeguarding measures are necessary. The existing regulatory framework contains sufficient protections to ensure an adequate spread of holders.

Question 11.1

Do you agree with the proposal to require issuers to adopt either Mechanism A or Mechanism B with respect to a minimum allocation of offer shares to the public subscription tranche (as set out in paragraphs 248 to 250 of the Consultation Paper)?

No

Please give reasons for your views and any alternative suggestions.

Question 11.1: We disagree with the proposal to provide issuers with a choice between Mechanism A and Mechanism B. Instead, we suggest that the Exchange proceed on the basis of Mechanism B only (ie. a minimum initial allocation of 10% of offer shares to the public subscription tranche with no clawback mechanism) for all issuers other than Specialist Technology Companies.

The clawback mechanism was introduced in an era when retail investors represented a much larger proportion of trading activity in Hong Kong. Given that retail participation has decreased significantly over time (from 53% in 1997 to 12% in 2023 according to paragraph 242) Mechanism B is now more appropriate for standard issuers.

Question 11.2: do you agree with the proposal to require Specialist Technology Companies to only adopt the existing initial allocation and clawback mechanism designed for them, i.e. Mechanism A (as set out in paragraph 251 of the Consultation Paper)? Please give reasons for your views.

We agree that Specialist Technology Companies should adopt Mechanism A only. Maintaining Mechanism A exclusively for Specialist Technology Companies balances the need for institutional investor participation (which is critical for price discovery in these complex offerings) with the public interest in retail access to these potentially high-growth opportunities. The clawback mechanism also provides a safeguard against mispricing by ensuring increased retail allocation in cases of strong retail demand.

Question 11.2

Do you agree with the proposal to require Specialist Technology Companies to only adopt the existing initial allocation and clawback mechanism designed for them, i.e. Mechanism A (as set out in paragraph 251 of the Consultation Paper)?

Please give reasons for your views.

Question 12.1

Do you agree that we should retain the Allocation Cap?

Yes

Please give reasons for your views.

We agree that the allocation cap should be retained.

Maintaining Mechanism A exclusively for Specialist Technology Companies balances the need for institutional investor participation (which is critical for price discovery in these complex offerings) with the public interest in retail access to these potentially high-growth opportunities. The clawback mechanism also provides a safeguard against mispricing by ensuring increased retail allocation in cases of strong retail demand.

Question 12.2

Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to the triggering conditions of the restrictions on Reallocation and PO Over-allocation (as set out in paragraph 262 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed consequential amendments to the triggering conditions of the restrictions on reallocation and PO over-allocation.

Question 12.3

Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to lower the proposed Maximum Allocation

Cap Percentage Threshold from 30% to 15% (as set out in paragraph 263 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with lowering the maximum allocation cap percentage threshold from 30% to 15%.

Question 13.1

Do you agree that the Existing Pricing Flexibility Mechanism should be amended to include upward pricing flexibility?

Yes

Please give reasons for your views and any alternative suggestions.

We agree. Upward pricing flexibility would enhance market efficiency by allowing the final offer price to better reflect actual demand conditions, potentially reducing extreme price movements immediately after listing.

Question 13.2

Do you agree with our proposals to adopt an offer price adjustment limit of 10% in both directions (as set out in paragraph 281 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree. This provides sufficient flexibility to respond to market conditions while maintaining the integrity of the initial price range as a meaningful indication to investors.

Question 13.3

In respect of the initial offer price range, would you prefer adjustment to be made:

up to 20% of the bottom of that range (as set out in Option B of paragraph 282 of the Consultation Paper)

Please give reasons for your views and any alternative suggestions.

We prefer Option B: limiting the top of the initial offer price range to not more than 20% of the bottom of that range.

A narrower range (20% rather than 30%) would provide greater certainty to investors while still allowing reasonable flexibility. When combined with the proposed 10% upward and downward pricing flexibility, the effective range should still be sufficient for most market conditions. The narrower initial range would also encourage issuers and their advisors to conduct more thorough price discovery before setting the range, potentially leading to more accurate initial pricing and reducing the need for subsequent adjustments.

Question 13.4

Do you agree with our Proposed Opt-in Arrangement (as set out in paragraphs 283 to 284 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed opt-in arrangement. This approach balances issuer flexibility with investor protection by giving public offer subscribers the choice to participate only at price levels they are comfortable with.

Question 13.5

Do you agree with our proposal to extend the current disclosure requirements (as set out in paragraph 285 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with extending the current disclosure requirements to cover upward price adjustments. Consistent disclosure for both upward and downward adjustments ensures investors are adequately informed of all potential pricing outcomes.

Question 14

Do you agree with our proposals to make consequential and housekeeping amendments to the Placing Guidelines (as set out in paragraphs 302 and 303 of the Consultation Paper and Appendices I and II to the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed consequential and housekeeping amendments to the Placing Guidelines. These changes modernize the guidelines and better align them with current market practices and regulatory objectives.

Question 15

Do you agree with our proposal to disapply the proposed initial public float requirement in the case of a bonus issue of a new class of securities involving options, warrants or similar rights to subscribe for or purchase shares (as set out in paragraph 306 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal. Since these securities are distributed to existing shareholders on a pro rata basis, there is no need for additional distribution requirements to create an open market.

Question 16

Do you agree with our proposal to add new provisions under Appendices D1A and D1B to the Main Board Listing Rules to require disclosure of the minimum prescribed percentage of public float in listing documents (as set out in paragraph 311 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal. The disclosure of the minimum prescribed percentage in listing documents provides important information to investors about the expected level of liquidity in the securities and the issuer's ongoing obligations.

Question 17

Do you agree with our proposal to waive the initial free float requirement for overseas issuers that have, or are seeking, a secondary listing on the Exchange (as set out in paragraph 315 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal.

Question 18

Do you agree with our proposal to repeal the requirement that PRC issuers list H-shares that have an expected market value, at the time of listing, of HK\$50 million (as set out in paragraph 319 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal to repeal this requirement.

Question 19

Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendment to enable GEM listing applicants to choose either Mechanism A or Mechanism B (as set out in paragraph 325 of the Consultation Paper)?

No

Please give reasons for your views and any alternative suggestions.

We disagree. Consistent with our position on Main Board issuers, we recommend that GEM listing applicants should be required to adopt Mechanism B only (ie. a minimum initial allocation of 10% of offer shares to the public subscription tranche with no clawback mechanism).

Please see our response to Question 11.

Question 20.1

Do you agree with our proposals on the determination of market capitalisation for new applicants that have other classes of shares apart from the class for which listing is sought or are PRC issuers (as set out in paragraph 333 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed approach.

Question 20.2

Do you agree with our proposal to introduce an equivalent GEM Listing Rule provision on the basis for determining the market value of other class(es) of shares for a new applicant (as set out in paragraph 335 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with introducing an equivalent GEM Listing Rule provision.

Question 21

Do you agree with our proposal to amend the Listing Rules (MB Rule 12.02 (GEM Rule 16.07)) to require issuers to publish a formal notice on the date of issue of a listing document for offers or placings where any amount placed is made available directly to the general public (as set out in paragraph 339 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal.

Question 22.1

Do you agree with our proposal to amend Chapter 18B of the Main Board Listing Rules so that the open market requirements of MB Rule 8.08 do not apply to Successor Company's warrants (as set out in paragraph 349(a) of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal.

Question 22.2

Do you agree with our proposal to amend Chapter 18B of the Main Board Listing Rules so that the minimum market value requirement of MB Rule 8.09(4) does not apply to SPAC Warrants and Successor Company's warrants (as set out in paragraph 349(b) of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal.

Question 23

Do you agree with our proposal to amend MB Rule 18C.08 so that the 50% minimum requirement is to be determined by reference to the total number of shares initially offered in the IPO (as set out in paragraph 352 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal.

Overall Comments

Please provide your overall comments (if any) regarding the Consultation Paper which have not been covered in the questions above.